

City of Russell, Kansas
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
December 31, 2011

City of Russell, Kansas

FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

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GUDENKAUF & MALONE, INC.

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James Malone, CPA

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Russell
Russell, Kansas

We have audited the accompanying financial statements of the City of Russell, Russell, Kansas, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Russell's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial or summarized comparative information has been derived from the City's 2010 financial statements and, in our report dated July 7, 2011, we expressed an unqualified opinion on the basic financial statements of the City's primary government.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data or its component units. The City has not issued such reporting entity financial statements for the Russell Library. The effect on the financial statements of the omission of the component units, although not reasonably determinable, is presumed to be material. The City has engaged other auditors to conduct the audit of Russell Recreation Commission's financial statements for

the year ended December 31, 2011 and the Russell Housing Authority for the year ended September 30, 2011. Neither audit has yet been completed for 2011.

As described more fully in Note 1, the City of Russell, Russell, Kansas, has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Further in our opinion, because of the omission of the discretely presented component units, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of the City of Russell, Russell, Kansas, as of December 31, 2011, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

A handwritten signature in cursive script, appearing to read "Gudenkauf Malone Inc.", written in dark ink.

Gudenkauf & Malone, Inc.
Russell, Kansas
July 2, 2012

CITY OF RUSSELL, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND
UNENCUMBERED CASH

For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Statement 1	
						Add Outstanding Encumbrances and Accounts Payables	Ending Cash Balance
Governmental Type Funds:							
General	\$ 1,513,614	\$ 6,353	\$ 2,798,382	\$ 2,695,912	\$ 1,622,437	\$ 119,891	\$ 1,742,328
Special Revenue Funds							
Airport	13,961	-	61,835	66,491	9,305	1,075	10,380
Industrial	64,271	-	71,605	61,805	74,071	-	74,071
Special Highway	142,121	-	113,885	11,116	244,890	-	244,890
Library	13,801	-	145,108	142,492	16,417	-	16,417
Fire Equipment	159,932	-	32,851	2,715	190,068	-	190,068
Recreation	5,781	-	123,510	120,507	8,784	-	8,784
Personnel Benefits	545,542	-	1,224,861	1,387,856	382,547	4,522	387,069
Special Parks and Recreation	48,990	-	13,880	9,816	53,054	-	53,054
Capital Improvements	1,327,073	2,650	119,703	118,697	1,330,729	-	1,330,729
Equipment Reserve	403,280	400	88,390	71,974	420,096	-	420,096
Deines Center Grant	5,446	-	666	6,112	-	-	-
Grant Fund	28,550	-	29,411	57,961	-	-	-
Debt Service Fund							
Bond and Interest	172,390	-	145,491	194,607	123,274	-	123,274

CITY OF RUSSELL, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND
UNENCUMBERED CASH

For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Statement 1	
					Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payables Ending Cash Balance
Trust Funds						
Johnson Trust	693,167	3,225	78,728	108,515	666,605	- 666,605
Deines Center Trust	9,309	6,624	35	1,253	14,715	- 14,715
Donation Fund	3,617	-	103	2,085	1,635	- 1,635
Golf Course Improvement	7,537	-	11,687	9,863	9,361	- 9,361
Insurance Proceeds	29,902	-	27,643	46,894	10,651	- 10,651
Capital Projects						
Airport Improvement	(140,759)	-	305,256	164,497	-	16,600 16,600
Proprietary Type Funds:						
Enterprise funds						
Electric	3,770,648	8,734	10,134,627	9,914,962	3,999,047	740,156 4,739,203
Electric Depreciation Reserve	2,757,354	16,975	256,551	16,000	3,014,880	13,740 3,028,620
Water	1,550,362	3,797	2,209,515	2,843,289	920,385	942,545 1,862,930
Water Depreciation Reserve	682,030	-	1,539	104,936	578,633	75,658 654,291
Wastewater	572,759	4,550	559,696	1,037,266	99,739	717,761 817,500
Wastewater Replacement	309,083	-	665	49,769	259,979	- 259,979
Sanitation	296,376	-	444,219	567,437	173,158	11,873 185,031
Total reporting Entity (Excluding Agency Funds)	\$ 14,986,137	\$ 53,308	\$ 18,999,842	\$ 19,814,827	\$ 14,224,460	\$ 2,643,821 \$ 16,868,281

CITY OF RUSSELL, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND
UNENCUMBERED CASH

For the Year Ended December 31, 2011

		Statement 1
Composition of Cash:		
Cash on Hand	\$	500
Checking Account		2,960,396
KMEA Deposit		64,428
Money Market & Investment Acct		3,550,481
Municipal Investment Pool		10,303,581
Total Cash		16,879,386
Agency Funds per Statement 4		(11,105)
Total Reporting Entity		<u>\$ 16,868,281</u>

CITY OF RUSSELL, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(BUDGETED FUNDS ONLY)
For the Year Ended December 31, 2011

Statement 2

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Under (Over)
Governmental Type Funds:					
General	\$ 3,253,734	\$ -	\$ 3,253,734	\$ 2,695,912	\$ 557,822
Special Revenue Funds					
Airport	80,298	-	80,298	66,491	13,807
Industrial	91,643	-	91,643	61,805	29,838
Special Highway	110,000	-	110,000	11,116	98,884
Library	142,493	-	142,493	142,492	1
Fire Equipment	195,911	-	195,911	2,715	193,196
Recreation	132,951	-	132,951	120,507	12,444
Personnel Benefits	2,039,697	-	2,039,697	1,387,856	651,841
Special Parks and Recreation	25,000	-	25,000	9,816	15,184
Debt Service Fund					
Bond and Interest	294,596	-	294,596	194,607	99,989
Proprietary Type Funds:					
Enterprise funds					
Electric	12,471,300	-	12,471,300	9,914,962	2,556,338
Water	2,897,403	-	2,897,403	2,843,289	54,114
Wastewater	1,042,000	-	1,042,000	1,037,266	4,734
Sanitation	599,000	-	599,000	567,437	31,563
Total	<u>\$ 23,376,026</u>	<u>\$ -</u>	<u>\$ 23,376,026</u>	<u>\$ 19,056,271</u>	<u>\$ 4,319,755</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Taxes				
Ad Valorem	\$ 873,338	\$ 872,336	\$ (1,002)	\$ 925,698
Delinquent	-	24,579	24,579	88,648
Motor Vehicle	169,277	160,929	(8,348)	142,028
County Sales	180,000	224,791	44,791	194,280
Recreational Vehicle	2,412	2,365	(47)	2,168
In Lieu of Taxes (IRB)	23,500	34,524	11,024	23,758
Local Sales	360,000	466,482	106,482	401,232
Total Taxes	1,608,527	1,786,006	177,479	1,777,812
Intergovernmental				
Liquor Tax	12,103	13,771	1,668	11,379
State Highway Connecting Links	35,000	35,292	292	38,736
State of Kansas KDOT Grant	40,000	34,024	(5,976)	26,879
County 911 Reimbursement	182,000	207,260	25,260	157,133
Grants	-	11,615	11,615	5,662
Total Intergovernmental	269,103	301,962	32,859	239,789
Licenses and Permits				
Franchise Tax	100,000	140,675	40,675	86,188
Licenses	15,300	13,733	(1,567)	11,173
Permits	-	11,394	11,394	5,457
Total Licenses and Permits	115,300	165,802	50,502	102,818
Fines and Forfeitures				
Fines and Court Fees	45,000	52,711	7,711	59,682
Use of Money and Property				
Interest Earned	10,000	4,460	(5,540)	10,585
Royalties	-	828	828	428
Total Use of Money & Property	\$ 10,000	\$ 5,288	\$ (4,712)	\$ 11,013

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

	2011			Statement 3-1 2010
	Budget	Actual	Variance Under (Over)	Actual
Miscellaneous				
Weed Abatement Fees		\$ 4,400	\$ 4,400	\$ 5,221
General Transportation Fares	8,500	10,866	2,366	9,139
Golf Course Fees - Sales	80,000	78,135	(1,865)	88,868
Cemetery Receipts	4,500	8,411	3,911	9,238
Reimbursed Expense	-	1,850	1,850	328
Miscellaneous Receipts	40,000	23,363	(16,637)	39,594
Impound Fees	-	942	942	1,353
Swimming Pool Revenue	26,700	27,146	446	28,094
Total Miscellaneous	159,700	155,113	(4,587)	181,835
Operating Transfers	447,000	331,500	(115,500)	419,000
Total Cash Receipts	\$ 2,654,630	2,798,382	\$ 143,752	2,791,949
Expenditures				
Mayor/Council	22,050	10,906	11,144	14,299
City Manager	215,450	202,277	13,173	205,655
City Clerk	167,450	189,732	(22,282)	151,340
Transportation	62,100	60,757	1,343	49,204
Police Department	573,350	470,551	102,799	436,308
Public Works, Inspection	102,000	67,258	34,742	67,931
Fire Department	180,100	117,718	62,382	122,865
Municipal Court	49,800	50,642	(842)	52,057
911 Dispatch	304,050	304,149	(99)	289,590
Community Development	115,000	94,962	20,038	95,920
Street Department	455,000	283,644	171,356	285,055
Golf Course	179,500	160,735	18,765	154,989
Swimming Pool	91,275	63,507	27,768	79,948
Park Department	334,500	283,924	50,576	268,975
Deines Center	44,000	37,250	6,750	42,621
Economic Development	25,000	-	25,000	-
Neighborhood Revitalization Rebate	29,905	32,199	(2,294)	31,837
Miscellaneous	85,204	32,460	52,744	9,928
Operating Transfers	218,000	233,241	(15,241)	220,113
Total Expenditures	\$ 3,253,734	2,695,912	\$ 557,822	2,578,635
Receipts Over (Under) Expenditures		102,470		213,314
Unencumbered Cash, Beginning		1,513,614		1,296,434
Prior Year Cancelled Encumbrances		6,353		3,866
Unencumbered Cash, Ending		\$ 1,622,437		\$ 1,513,614

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Airport Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-2

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Taxes				
Ad Valorem	\$ 26,215	\$ 26,186	\$ (29)	\$ 25,058
Delinquent	-	682	682	2,604
Motor Vehicle	4,604	4,545	(59)	4,603
Recreational Vehicle	66	66	-	70
Rental	-	11,951	11,951	10,740
Fuel Sales	25,000	18,229	(6,771)	10,575
Interest Income	11,000	26	(10,974)	-
Miscellaneous Revenue	-	150	150	87
Total Cash Receipts	<u>\$ 66,885</u>	<u>61,835</u>	<u>\$ (5,050)</u>	<u>53,737</u>
Expenditures				
Personnel Salaries	800	-	800	-
Postage	200	-	200	-
Telephone	700	459	241	420
Natural Gas	8,000	7,551	449	7,591
Insurance	9,000	12,276	(3,276)	7,565
Dues/Subscriptions	500	493	7	161
Professional Services	18,000	15,194	2,806	16,875
Printing & Advertising	500	198	302	164
Operating Supplies	500	992	(492)	390
Repairs & Maintenance	6,000	3,310	2,690	2,407
Capital Expense	5,500	-	5,500	60
Fuel For Resale	21,330	21,614	(284)	10,409
Revitalization District Refund	898	967	(69)	866
Sales Tax Expense	2,000	1,387	613	764
Training & Travel	500	-	500	-
Credit Card Fees	800	497	303	478
Chemicals	4,570	-	4,570	-
Office Supplies	500	43	457	50
Apparatus/Tools	-	135	(135)	-
Operating Transfer	-	1,375	(1,375)	9,935
Total Expenditures	<u>\$ 80,298</u>	<u>66,491</u>	<u>\$ 13,807</u>	<u>58,135</u>
Receipts Over (Under) Expenditures		(4,656)		(4,398)
Unencumbered Cash, Beginning		<u>13,961</u>		<u>18,359</u>
Unencumbered Cash, Ending		<u>\$ 9,305</u>		<u>\$ 13,961</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Industrial Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-3

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Taxes				
Ad Valorem	\$ 33,378	\$ 33,334	\$ (44)	\$ 24,556
Delinquent	-	670	670	2,504
Motor Vehicle	4,511	4,467	(44)	4,186
Recreational Vehicle	64	65	1	65
Miscellaneous	300	250	(50)	1,005
Interest	-	165	165	-
Operating Transfers	<u>28,000</u>	<u>32,654</u>	<u>4,654</u>	<u>28,000</u>
 Total Cash Receipts	 <u>\$ 66,253</u>	 <u>71,605</u>	 <u>\$ 5,352</u>	 <u>60,316</u>
 Expenditures				
Dues/Subscriptions/Licenses	7,000	5,757	1,243	5,000
Revitalization Dist Refund	1,143	1,230	(87)	848
Professional Services	4,000	1,667	2,333	1,873
Printing/Advertising	4,000	-	4,000	500
Operating Supplies	1,500	-	1,500	-
Capital Exp - Bldg & Improvement	10,000	-	10,000	-
Main Street	24,000	24,000	-	24,000
Economic Development Incentives	15,000	-	15,000	-
Economic Development	<u>25,000</u>	<u>29,151</u>	<u>(4,151)</u>	<u>25,000</u>
 Total Expenditures	 <u>\$ 91,643</u>	 <u>61,805</u>	 <u>\$ 29,838</u>	 <u>57,221</u>
 Receipts Over (Under) Expenditures		9,800		3,095
 Unencumbered Cash, Beginning		<u>64,271</u>		<u>61,176</u>
 Unencumbered Cash, Ending		<u>\$ 74,071</u>		<u>\$ 64,271</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-4

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Fuel Tax	\$ 116,750	\$ 113,409	\$ 3,341	\$ 112,820
Interest Income	-	476	476	853
Total Cash Receipts	<u>\$ 116,750</u>	<u>113,885</u>	<u>\$ 3,817</u>	<u>113,673</u>
Expenditures				
Capital Outlay	100,000	-	100,000	1,818
Improvements	<u>10,000</u>	<u>11,116</u>	<u>(1,116)</u>	<u>26,966</u>
Total Expenditures	<u>\$ 110,000</u>	<u>11,116</u>	<u>\$ 98,884</u>	<u>28,784</u>
Receipts Over (Under) Expenditures		102,769		84,889
Unencumbered Cash, Beginning		<u>142,121</u>		<u>57,232</u>
Unencumbered Cash, Ending		<u>\$ 244,890</u>		<u>\$ 142,121</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Library Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-5

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Taxes				
Ad Valorem	\$ 122,444	\$ 122,301	\$ (143)	\$ 107,086
Delinquent	-	2,983	2,983	11,450
Motor Vehicle	19,668	19,503	(165)	20,485
Recreational Vehicle	280	284	4	312
Interest	-	37	37	-
Miscellaneous	-	-	-	30
Total Cash Receipts	<u>\$ 142,392</u>	<u>145,108</u>	<u>\$ 2,716</u>	<u>139,363</u>
Expenditures				
Library Appropriation	138,300	137,979	321	127,785
Revitalization Dist Refund	<u>4,193</u>	<u>4,513</u>	<u>(320)</u>	<u>3,762</u>
Total Expenditures	<u>\$ 142,493</u>	<u>142,492</u>	<u>\$ 1</u>	<u>131,547</u>
Receipts Over (Under) Expenditures		2,616		7,816
Unencumbered Cash, Beginning		<u>13,801</u>		<u>5,985</u>
Unencumbered Cash, Ending		<u>\$ 16,417</u>		<u>\$ 13,801</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Fire Equipment Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-6

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Taxes				
Ad Valorem	\$ 26,596	\$ 26,562	\$ (34)	\$ 25,836
Delinquent	-	694	694	2,592
Motor Vehicle	4,743	4,655	(88)	4,595
Recreational Vehicle	68	68	-	70
Interest Income	-	419	419	-
Miscellaneous	-	453	453	10,893
Total Cash Receipts	<u>31,407</u>	<u>32,851</u>	<u>1,444</u>	<u>43,986</u>
Expenditures				
Capital Exp - Equipment	195,000	1,735	193,265	27,370
Revitalization Refund	911	980	(69)	892
Total Expenditures	<u>\$ 195,911</u>	<u>2,715</u>	<u>\$ 193,196</u>	<u>28,262</u>
Receipts Over (Under) Expenditures		30,136		15,724
Unencumbered Cash, Beginning		<u>159,932</u>		<u>144,208</u>
Unencumbered Cash, Ending		<u>\$ 190,068</u>		<u>\$ 159,932</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Recreation Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-7

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Taxes				
Ad Valorem	\$ 102,411	\$ 102,285	\$ (126)	\$ 104,400
Delinquent	-	2,700	2,700	9,290
Motor Vehicle	19,176	18,232	(944)	16,253
Recreational Vehicle	273	268	(5)	250
Interest	-	25	25	-
Miscellaneous	-	-	-	35
Total Cash Receipts	<u>\$ 121,860</u>	<u>123,510</u>	<u>\$ 1,650</u>	<u>130,228</u>
Expenditures				
Recreation Appropriation	129,444	116,731	12,713	128,761
Revitalization District Refund	<u>3,507</u>	<u>3,776</u>	<u>(269)</u>	<u>3,606</u>
Total Expenditures	<u>\$ 132,951</u>	<u>120,507</u>	<u>\$ 12,444</u>	<u>132,367</u>
Receipts Over (Under) Expenditures		3,003		(2,139)
Unencumbered Cash, Beginning		<u>5,781</u>		<u>7,920</u>
Unencumbered Cash, Ending		<u>\$ 8,784</u>		<u>\$ 5,781</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Personnel Benefits Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-8

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Taxes				
Ad Valorem	\$ 333,151	\$ 332,766	\$ (385)	\$ 354,778
Delinquent	-	9,683	9,683	38,795
Motor Vehicle	65,161	65,555	394	68,646
Recreation Vehicle	928	953	25	1,055
Reimbursed Expenses	275,000	202,265	(72,735)	225,304
Miscellaneous Revenue	-	-	-	3,391
Interest Income	-	1,639	1,639	-
Operating Transfers	777,000	612,000	(165,000)	835,800
Total Cash Receipts	<u>\$ 1,451,240</u>	<u>1,224,861</u>	<u>\$ (226,379)</u>	<u>1,527,769</u>
Expenditures				
Revitalization District Refund	11,408	12,283	(875)	12,255
Blue Cross/Blue Shield	1,411,789	885,496	526,293	1,140,941
Social Security-Medicare	249,000	219,000	30,000	207,814
KPERS	220,000	212,099	7,901	186,393
Workers Compensation	147,500	56,164	91,336	79,173
Unemployment Insurance	-	2,814	(2,814)	1,942
Professional Services	-	-	-	1,233
Other Insurance	-	-	-	237
Total Expenditures	<u>\$ 2,039,697</u>	<u>1,387,856</u>	<u>\$ 651,841</u>	<u>1,629,988</u>
Receipts Over (Under) Expenditures		(162,995)		(102,219)
Unencumbered Cash, Beginning		<u>545,542</u>		<u>647,761</u>
Unencumbered Cash, Ending		<u>\$ 382,547</u>		<u>\$ 545,542</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Special Parks and Recreation Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-9

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
State Distribution	\$ 12,103	\$ 13,771	\$ 1,668	\$ 11,379
Reimbursement	-	-	-	3,188
Interest	-	109	109	395
Total Cash Receipts	<u>\$ 12,103</u>	<u>13,880</u>	<u>\$ 1,777</u>	<u>14,962</u>
Expenditures				
Professional Fees	5,000	292	4,708	563
Commodities	10,000	933	9,067	87
Capital Outlay	<u>10,000</u>	<u>8,591</u>	<u>1,409</u>	<u>4,230</u>
Total Expenditures	<u>\$ 25,000</u>	<u>9,816</u>	<u>\$ 15,184</u>	<u>4,880</u>
Receipts Over (Under) Expenditures		4,064		10,082
Unencumbered Cash, Beginning		<u>48,990</u>		<u>38,908</u>
Unencumbered Cash, Ending		<u>\$ 53,054</u>		<u>\$ 48,990</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Capital Improvements Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-10

	2011 Actual	2010 Actual
Cash Receipts		
Interest	\$ 3,083	\$ 6,750
Operating Transfers	<u>116,620</u>	<u>110,000</u>
 Total Cash Receipts	 <u>119,703</u>	 <u>116,750</u>
Expenditures		
Police	8,679	-
Public Works	68	-
Swimming Pool	4,393	-
Deines Cultural Center	44,027	-
Capital Improvements	-	18,615
Operation Transfers	<u>61,530</u>	<u>-</u>
 Total Expenditures	 <u>118,697</u>	 <u>18,615</u>
 Receipts Over (Under) Expenditures	 1,006	 98,135
 Unencumbered Cash, Beginning	 1,327,073	 1,228,938
 Prior Year Cancelled Encumbrances	 <u>2,650</u>	 <u>-</u>
 Unencumbered Cash, Ending	 <u>\$ 1,330,729</u>	 <u>\$ 1,327,073</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Equipment Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-11

	2011 Actual	2010 Actual
Cash Receipts		
Interest Income	\$ 948	\$ 2,678
Sale of Assets	3,475	6,219
Transportation Grant	-	34,991
Operating Transfers	<u>83,967</u>	<u>80,000</u>
 Total Cash Receipts	 <u>88,390</u>	 <u>123,888</u>
 Expenditures		
Police	56,659	-
Fire	33	-
Public Safety	-	44,669
Community Development	-	16,499
Public Works	33	168,771
Operating Transfers	<u>15,249</u>	<u>-</u>
 Total Expenditures	 <u>71,974</u>	 <u>229,939</u>
 Receipts Over (Under) Expenditures	 16,416	 (106,051)
 Unencumbered Cash, Beginning	 403,280	 508,496
 Prior Year Cancelled Encumbrances	 <u>400</u>	 <u>835</u>
 Unencumbered Cash, Ending	 <u>\$ 420,096</u>	 <u>\$ 403,280</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Deines Center Grant Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

	Statement 3-12	
	<u>2011 Actual</u>	<u>2010 Actual</u>
Cash Receipts		
State Grant	\$ 658	\$ 2,631
Interest	<u>8</u>	<u>15</u>
Total Cash Receipts	<u>666</u>	<u>2,646</u>
Expenditures	<u>6,112</u>	<u>-</u>
Total Expenditures	<u>6,112</u>	<u>-</u>
Receipts Over (Under) Expenditures	(5,446)	2,646
Unencumbered Cash, Beginning	<u>5,446</u>	<u>2,800</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ 5,446</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Grant Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-13

	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>
Cash Receipts		
CDBG Grant	\$ 29,407	\$ 30,093
Interest	4	36
Transfers	<u>-</u>	<u>50,000</u>
Total Cash Receipts	<u>29,411</u>	<u>80,129</u>
Expenditures		
Printing & Advertising	-	138
Professional Services	3,161	-
CDBG Demolition	<u>54,800</u>	<u>51,300</u>
Total Expenditures	<u>57,961</u>	<u>51,438</u>
Receipts Over (Under) Expenditures	(28,550)	28,691
Unencumbered Cash, Beginning	<u>28,550</u>	<u>(141)</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 28,550</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-14

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Taxes				
Ad Valorem	\$ 41,252	\$ 41,210	\$ (42)	\$ 6,503
Delinquent	-	726	726	5,270
Recreation Vehicle	17	37	20	159
Motor Vehicle	1,195	2,837	1,642	10,735
Interest Income	1,000	278	(722)	320
Operating Transfers	100,403	100,403	-	98,414
Total Cash Receipts	<u>\$ 143,867</u>	<u>145,491</u>	<u>\$ 1,624</u>	<u>121,401</u>
Expenditures				
Bond Principal	180,000	180,000	-	170,000
Interest Coupons	13,083	13,086	(3)	19,260
Revitalization District Refund	1,413	1,521	(108)	225
Miscellaneous	100	-	100	-
Cash basis reserve	100,000	-	100,000	-
Total Expenditures	<u>\$ 294,596</u>	<u>194,607</u>	<u>\$ 99,989</u>	<u>189,485</u>
Receipts Over (Under) Expenditures		(49,116)		(68,084)
Unencumbered Cash, Beginning		<u>172,390</u>		<u>240,474</u>
Unencumbered Cash, Ending		<u>\$ 123,274</u>		<u>\$ 172,390</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Capital Projects Funds
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-15

	AIRPORT IMPROVEMENT PROJECT	
	2011 Actual	2010 Actual
Cash Receipts		
AIP Grant	\$ 227,137	\$ 267,934
Transfers	78,154	9,935
Interest Income	<u>(35)</u>	<u>(11)</u>
Total Cash Receipts	<u>305,256</u>	<u>277,858</u>
Expenditures		
Capital Outlay	164,497	187,673
Professional Services	<u>-</u>	<u>37,832</u>
Total Expenditures	<u>164,497</u>	<u>225,505</u>
Receipts Over (Under) Expenditures	140,759	52,353
Unencumbered Cash, Beginning	(140,759)	(216,885)
Prior Year Cancelled Encumbrances	<u>-</u>	<u>23,773</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ (140,759)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Johnson Trust Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-16

	2011 Actual	2010 Actual
Cash Receipts		
Trust Distribution	\$ 77,216	\$ 75,791
Interest Income	<u>1,512</u>	<u>3,900</u>
Total Cash Receipts	<u>78,728</u>	<u>79,691</u>
Expenditures		
Professional Services	-	7,800
Russell Co Library	-	4,470
Capital Outlay	108,515	67,553
Transfer to Grant Fund	<u>-</u>	<u>50,000</u>
Total Expenditures	<u>108,515</u>	<u>129,823</u>
Receipts Over (Under) Expenditures	(29,787)	(50,132)
Unencumbered Cash, Beginning	693,167	731,328
Prior Year Cancelled Encumbrances	<u>3,225</u>	<u>11,971</u>
Unencumbered Cash, Ending	<u>\$ 666,605</u>	<u>\$ 693,167</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Deines Center Trust Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-17

	2011 Actual	2010 Actual
Cash Receipts		
Interest Income	\$ 35	\$ 171
Other Income	<u>-</u>	<u>2,113</u>
Total Cash Receipts	<u>35</u>	<u>2,284</u>
Expenditures		
Professional Services	<u>1,253</u>	<u>25,176</u>
Total Expenditures	<u>1,253</u>	<u>25,176</u>
Receipts Over (Under) Expenditures	(1,218)	(22,892)
Unencumbered Cash, Beginning	9,309	32,201
Prior Year Cancelled Encumbrances	<u>6,624</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 14,715</u>	<u>\$ 9,309</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Donation Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-18

	<u>2011 Actual</u>	<u>2010 Actual</u>
Cash Receipts		
Interest Income	\$ 3	\$ 28
Other Income	<u>100</u>	<u>1,750</u>
Total Cash Receipts	<u>103</u>	<u>1,778</u>
Expenditures		
Utilities - Customers	2,085	4,820
Capital Expense	<u>-</u>	<u>1,184</u>
Total Expenditures	<u>2,085</u>	<u>6,004</u>
Receipts Over (Under) Expenditures	(1,982)	(4,226)
Unencumbered Cash, Beginning	<u>3,617</u>	<u>7,843</u>
Unencumbered Cash, Ending	<u>\$ 1,635</u>	<u>\$ 3,617</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Golf Course Improvement Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-19

	<u>2011 Actual</u>	<u>2010 Actual</u>
Cash Receipts		
Interest	\$ 32	\$ 51
Donations	1,300	-
Golf Course Fees	<u>10,355</u>	<u>6,405</u>
 Total Cash Receipts	 <u>11,687</u>	 <u>6,456</u>
 Expenditures		
Repairs & Maintenance	700	-
Construction Material	<u>9,163</u>	<u>8,263</u>
 Total Expenditures	 <u>9,863</u>	 <u>8,263</u>
 Receipts Over (Under) Expenditures	 1,824	 (1,807)
 Unencumbered Cash, Beginning	 <u>7,537</u>	 <u>9,344</u>
 Unencumbered Cash, Ending	 <u>\$ 9,361</u>	 <u>\$ 7,537</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Insurance Proceeds
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-20

	<u>2011 Actual</u>	<u>2010 Actual</u>
Cash Receipts		
Fire Insurance Proceeds	\$ 27,583	\$ 29,895
Interest Income	<u>60</u>	<u>7</u>
Total Cash Receipts	<u>27,643</u>	<u>29,902</u>
Expenditures	<u>46,894</u>	<u>-</u>
Total Expenditures	<u>46,894</u>	<u>-</u>
Receipts Over (Under) Expenditures	(19,251)	29,902
Unencumbered Cash, Beginning	<u>29,902</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 10,651</u>	<u>\$ 29,902</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Electric Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-21

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Sale of Electricity	\$ 5,750,000	\$ 6,339,224	\$ 589,224	\$ 5,983,087
Energy Cost Adjustment	6,000,000	3,702,847	(2,297,153)	3,677,954
Steam Sales	100,000	13,638	(86,362)	19,991
Sales Tax	100,000	-	(100,000)	1,106
Customer Deposits	-	23,915	23,915	23,377
Late Payment Penalty	15,000	15,894	894	17,975
Rent Income	-	400	400	7,500
Reimbursed Expense	12,000	-	(12,000)	-
Miscellaneous Revenue	60,000	28,534	(31,466)	111,782
Insurance Proceeds	-	-	-	19,225
Interest Income	15,000	10,175	(4,825)	9,700
Total Cash Receipts	<u>\$ 12,052,000</u>	<u>10,134,627</u>	<u>\$ (1,917,373)</u>	<u>9,871,697</u>
Expenditures				
General & Administrative				
Telephone	-	505	(505)	-
Postage	8,500	7,581	919	5,266
Professional Services	30,000	18,714	11,286	60,239
Dues/Subscriptions	14,000	14,121	(121)	15,403
Sales Tax	150,000	2,597	147,403	6,994
Training/Seminars	1,800	3,518	(1,718)	4,508
Printing & Advertising	1,500	80	1,420	3,698
Interest on Consumer Deposits	2,000	220	1,780	384
Operating Supplies	1,000	827	173	1,246
Consumer Deposits Refunded	25,000	22,083	2,917	22,740
Apparatus/Tools	1,000	-	1,000	-
Office Supplies	1,500	-	1,500	1,131
Repairs & Maintenance	1,000	9	991	15
Uniforms	-	45	(45)	-
Armory Utilities	-	468	(468)	-
Capital Expenses	43,000	-	43,000	-
Total General & Administrative	<u>\$ 280,300</u>	<u>\$ 70,768</u>	<u>\$ 209,532</u>	<u>\$ 121,624</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Electric Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-21

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Production				
Personnel Salaries	\$ 326,159	\$ 307,263	\$ 18,896	\$ 311,968
Overtime Salaries	7,980	9,469	(1,489)	8,951
Holiday Pay	9,486	-	9,486	-
Accrued Leave Buy Back	1,375	1,183	192	850
Telephone	7,000	3,922	3,078	4,184
Postage	500	140	360	114
Natural Gas	3,500	1,563	1,937	3,413
Insurance	150,000	115,687	34,313	145,098
Dues/Subscriptions	3,000	1,158	1,842	60
Training/Seminars	12,000	2,380	9,620	2,485
Professional Services	65,000	1,083	63,917	7,819
Printing/Advertising	500	20	480	914
Compensating Tax	3,000	521	2,479	1,417
Operating Supplies	10,000	7,336	2,664	23,670
Repairs & Maintenance	150,000	85,380	64,620	60,800
Turbine Maintenance	50,000	-	50,000	17,625
Fuel Oil	70,000	45,587	24,413	4,430
Natural Gas	1,500,000	136,594	1,363,406	-
Transport Natural Gas	280,500	111,203	169,297	76,854
Purchased Power	7,675,000	7,475,160	199,840	7,320,166
Chemicals	13,500	5,261	8,239	7,881
Fuel & Oil	5,000	3,062	1,938	2,013
Apparatus/Tools	2,500	2,253	247	2,493
Office Supplies	2,000	1,134	866	2,371
Uniforms	9,000	7,620	1,380	6,628
Transportation Downtown power plant	6,500	-	6,500	-
Capital Expenditures Equipment	100,000	-	100,000	16,375
Total Production	\$ 10,463,500	\$ 8,324,979	\$ 2,138,521	\$ 8,028,579

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Electric Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-21

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Transportation & Distribution				
Personnel Salaries	\$ 279,682	\$ 245,511	\$ 34,171	\$ 234,133
Overtime Salaries	21,393	4,282	17,111	3,192
Holiday Pay	7,800	-	7,800	-
Accrued Leave Buy Back	1,125	125	1,000	460
Telephone	2,000	965	1,035	1,007
Natural Gas	4,500	1,893	2,607	3,518
Postage	500	197	303	1,238
Insurance	42,000	9,538	32,462	10,079
Dues/Subscriptions	2,500	985	1,515	3,548
Training/Seminars	6,500	4,905	1,595	708
Rental	2,000	-	2,000	2,000
Professional Services	30,000	7,390	22,610	1,971
Printing/Advertising	1,500	-	1,500	382
Compensating Tax	2,000	511	1,489	450
Operating Supplies	5,000	3,189	1,811	3,471
Repairs & Maintenance	200,000	170,068	29,932	202,358
Chemicals	1,000	486	514	-
Fuel & Oil	20,000	13,653	6,347	13,215
Apparatus/Tools	6,500	4,359	2,141	8,111
Office Supplies	500	140	360	155
Uniforms	6,000	3,986	2,014	4,582
Capital Expenditures	140,000	102,032	37,968	9,419
Total Transportation & Distribution	782,500	574,215	208,285	503,997
Operating Transfers				
Transfer To Personnel Benefits	395,000	395,000	-	397,000
Transfer To General	300,000	300,000	-	276,500
Transfer To Electric Depreciation	250,000	250,000	-	250,000
Total Operating Transfers	945,000	945,000	-	923,500
Total Expenditures	<u>\$ 12,471,300</u>	<u>9,914,962</u>	<u>\$ 2,556,338</u>	<u>9,577,700</u>
Receipts Over (Under) Expenditures		219,665		293,997
Unencumbered Cash, Beginning		3,770,648		3,476,448
Prior Year Cancelled Encumbrances		8,734		203
Unencumbered Cash, Ending		<u>\$ 3,999,047</u>		<u>\$ 3,770,648</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Electric Depreciation Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-22

	2011 Actual	2010 Actual
Cash Receipts		
Operating Transfer	\$ 250,000	\$ 250,000
Interest Income	6,551	739
Sale of Assets	<u>-</u>	<u>738</u>
 Total Cash Receipts	 <u>256,551</u>	 <u>251,477</u>
Expenditures		
Professional Services	16,000	-
Capital Outlay	<u>-</u>	<u>314,047</u>
 Total Expenditures	 <u>16,000</u>	 <u>314,047</u>
 Receipts Over (Under) Expenditures	 240,551	 (62,570)
Unencumbered Cash, Beginning	2,757,354	2,816,940
Prior Year Cancelled Encumbrances	<u>16,975</u>	<u>2,984</u>
 Unencumbered Cash, Ending	 <u>\$ 3,014,880</u>	 <u>\$ 2,757,354</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Water Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-23

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Consumer Sales	\$ 2,000,000	\$ 2,088,231	\$ 88,231	\$ 2,157,298
State Water Fee	8,000	8,525	525	8,710
Sales tax	1,000	28	(972)	-
Customer Deposits	-	10,023	10,023	11,268
Late Payment Penalty	6,000	6,178	178	5,818
Water District #15 Revenue	1,000	-	(1,000)	17,874
Miscellaneous Revenue	25,000	21,319	(3,681)	19,027
Water Main Tap Fees	4,000	3,361	(639)	14,844
Bond Refinance Earnest Proceeds (net of refund)	115,000	68,345	(46,655)	-
Interest	3,500	3,505	5	-
Reimbursed Expense	-	-	-	1,163
Operating Transfers	280,000	-	(280,000)	-
Total Cash Receipts	\$ 2,443,500	2,209,515	\$ (233,985)	2,236,002
Expenditures				
General & Administrative				
Postage	-	5,241	(5,241)	3,715
Telephone	1,900	-	1,900	-
Professional Services	10,000	5,493	4,507	5,919
Training	-	2,208	(2,208)	2,632
Printing & Advertising	1,000	199	801	412
Dues/Subscriptions	100	2,904	(2,804)	4,319
Sales Tax	17,000	5	16,995	1,090
Interest On Consumer Deposits	-	110	(110)	188
Principal Payments	1,421,447	1,421,447	-	297,205
Supplies	-	9,395	(9,395)	-
Repairs & Maintenance	-	-	-	424
Interest Payments	254,553	258,083	(3,530)	242,423
Customer Deposits Refunded	2,000	10,448	(8,448)	10,661
Office Supplies	-	720	(720)	1,027
Armory Utilities	-	75	(75)	-
Bond Issuance Costs	115,000	64,956	50,044	-
Capital Improvements	1,000	-	1,000	-
Total General & Administrative	\$ 1,824,000	\$ 1,781,284	\$ 42,716	\$ 570,015

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Water Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-23

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Production				
Personnel Salaries	\$ 191,560	\$ 187,250	\$ 4,310	\$ 184,936
Overtime Salaries	7,690	9,807	(2,117)	9,314
Accrued Leave Buy Back	750	250	500	808
Telephone	1,600	1,864	(264)	1,567
Postage	1,000	1,170	(170)	1,986
Natural Gas	20,000	6,540	13,460	40,861
Electric Services	40,000	38,884	1,116	14,049
Insurance	27,600	26,652	948	26,784
Dues/Subscriptions	500	218	282	421
Training/Seminars	3,500	15	3,485	1,668
Professional Services	22,800	23,610	(810)	34,396
Printing/Advertising	1,500	359	1,141	-
State Water Fee	8,500	8,414	86	8,716
Operating Supplies	5,000	712	4,288	3,808
Clean Drinking Water Fee	8,000	7,888	112	8,171
Repairs & Maintenance	45,000	44,268	732	51,475
Chemicals	202,250	239,535	(37,285)	189,447
Fuel & Oil	3,500	3,033	467	2,257
Apparatus/Tools	500	113	387	336
Office Supplies	750	778	(28)	254
Uniforms	3,000	2,859	141	2,627
Lease/Rent	37,000	36,900	100	36,900
R-9 Ranch Expenses	1,000	-	1,000	9,462
Capital Outlay	10,000	5,168	4,832	542
Total Production	\$ 643,000	\$ 646,287	\$ (3,287)	\$ 630,785

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Water Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-23

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Transportation & Distribution				
Personnel Salaries	\$ 128,116	\$ 135,893	\$ (7,777)	\$ 132,837
On Call Pay	682	-	682	-
Overtime Salaries	10,452	3,074	7,378	3,328
Accrued Leave Buy Back	750	125	625	-
Telephone	1,500	803	697	908
Postage	1,500	40	1,460	724
Natural Gas	2,120	1,408	712	2,903
Insurance	7,000	5,017	1,983	4,220
Dues/Subscriptions	1,800	543	1,257	474
Training/Seminars	580	-	580	760
Professional Services	5,000	4,684	316	7,832
Printing/Advertising	500	95	405	-
Operating Supplies	1,500	324	1,176	1,031
Repairs & Maintenance	39,500	45,863	(6,363)	37,518
Fuel Oil	15,000	13,553	1,447	11,184
Apparatus/Tools	1,500	1,989	(489)	-
Office Supplies	500	4	496	28
Uniforms	2,000	1,900	100	1,745
Capital Expenditures	10,000	-	10,000	2,826
Total Transportation & Distribution	230,000	215,315	14,685	208,318
Operating Transfers	200,403	200,403	-	505,414
Total Expenditures	<u>\$ 2,897,403</u>	<u>2,843,289</u>	<u>\$ 54,114</u>	<u>1,914,532</u>
Receipts Over (Under) Expenditures		(633,774)		321,470
Unencumbered Cash, Beginning		1,550,362		1,228,019
Prior Year Cancelled Encumbrances		<u>3,797</u>		<u>873</u>
Unencumbered Cash, Ending		<u>\$ 920,385</u>		<u>\$ 1,550,362</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Water Depreciation Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-24

	2011 Actual	2010 Actual
Cash Receipts		
Transfers	\$ -	\$ 75,000
KDHE Loan Proceeds	-	402,698
Proceeds from Asset Sales	-	738
Interest	<u>1,539</u>	<u>3,106</u>
Total Cash Receipts	<u>1,539</u>	<u>481,542</u>
Expenditures		
Professional Service	79,283	3,286
Capital Expenditures	<u>25,653</u>	<u>27,991</u>
Total Expenditures	<u>104,936</u>	<u>31,277</u>
Receipts Over (Under) Expenditures	(103,397)	450,265
Unencumbered Cash, Beginning	682,030	225,615
Prior Year Cancelled Encumbrances	<u>-</u>	<u>6,150</u>
Unencumbered Cash, Ending	<u>\$ 578,633</u>	<u>\$ 682,030</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Wastewater Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-25

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Sewer Use Charge	\$ 520,000	\$ 553,093	\$ 33,093	\$ 573,159
Penalty	1,700	1,806	106	1,784
Interest	1,500	1,479	(21)	2,624
Rentals	-	2,718	-	-
Miscellaneous Revenue	5,000	-	(5,000)	2,766
Sewer Main Tap Fees	500	600	100	400
Operating Transfers	100,000	-	(100,000)	-
Total Cash Receipts	<u>\$ 628,700</u>	<u>559,696</u>	<u>\$ (71,722)</u>	<u>580,733</u>
Expenditures				
Personnel Salaries	71,571	75,228	(3,657)	73,405
Overtime Salaries	6,148	5,287	861	4,189
Accrued Buy Back	281	195	86	-
Telephone	-	238	(238)	457
Postage	1,750	3,152	(1,402)	2,502
Natural Gas	1,750	1,208	542	1,195
Insurance	-	1,953	(1,953)	1,509
Dues/Subscriptions	500	2,966	(2,466)	4,713
Sales Tax	7,000	-	7,000	-
Training/Seminars	-	616	(616)	878
Professional Services	7,000	7,156	(156)	4,152
Printing/Advertising	1,000	80	920	138
Operating Supplies	1,500	229	1,271	1,585
Repairs & Maintenance	21,500	26,001	(4,501)	36,906
Chemicals	5,000	913	4,087	335
Fuel & Oil	8,000	9,301	(1,301)	4,054
Apparatus/Tools	2,500	1,940	560	1,012
Office Supplies	500	840	(340)	1,072
Armory Utilities	-	108	(108)	-
Uniforms	1,000	443	557	410
Principal	841,101	841,101	-	136,240
Interest	38,899	38,311	588	33,403
Capital Expenditures	5,000	-	5,000	7,647
Operating Transfer	20,000	20,000	-	150,300
Total Expenditures	<u>\$1,042,000</u>	<u>1,037,266</u>	<u>\$ 4,734</u>	<u>466,102</u>
Receipts Over (Under) Expenditures		(477,570)		114,631
Unencumbered Cash, Beginning		572,759		455,693
Prior Year Encumbrances Cancelled		<u>4,550</u>		<u>2,435</u>
Unencumbered Cash, Ending		<u>\$ 99,739</u>		<u>\$ 572,759</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Wastewater Replacement Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-26

	<u>2011 Actual</u>	<u>2010 Actual</u>
Cash Receipts		
Interest	\$ 665	\$ 1,526
Operating Transfers	<u>-</u>	<u>50,000</u>
Total Cash Receipts	<u>665</u>	<u>51,526</u>
Expenditures		
Capital Outlay	<u>49,769</u>	<u>63,871</u>
Total Expenditures	<u>49,769</u>	<u>63,871</u>
Receipts Over (Under) Expenditures	(49,104)	(12,345)
Unencumbered Cash, Beginning	309,083	321,317
Prior Year Cancelled Encumbrances	<u>-</u>	<u>111</u>
Unencumbered Cash, Ending	<u>\$ 259,979</u>	<u>\$ 309,083</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Sanitation Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-27

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Cash Receipts				
Consumer Sales	\$ 250,000	\$ 262,721	\$ 12,721	\$ 261,235
Consumer Sales - Landfill	150,000	145,470	(4,530)	145,927
Sales Tax	-	1,173	1,173	1,755
Polykart Sales	7,000	10,572	3,572	14,178
Recycling Sales	5,000	12,936	7,936	6,662
Penalty	-	1,516	1,516	1,482
Interest	2,500	737	(1,763)	-
Miscellaneous Revenue	-	9,094	9,094	9,286
Total Cash Receipts	\$ 414,500	444,219	\$ 29,719	440,525
Expenditures				
General & Administrative				
Sales Tax	7,000	1,333	5,667	-
Professional Service	3,500	3,712	(212)	1,858
Postage	1,500	2,930	(1,430)	1,440
Office Supplies	500	6,875	(6,375)	714
Repairs & Maintenance	250	1,947	(1,697)	194
Supplies	250	-	250	-
Armory Utilities	-	30	(30)	-
Miscellaneous	-	2,208	(2,208)	4,198
Total General & Administrative	13,000	19,035	(6,035)	8,404
Sanitation				
Personnel Salaries	136,614	138,278	(1,664)	134,817
Overtime Salaries	3,941	1,804	2,137	835
Accrued Leave Buy Back	625	530	95	510
Landfill Charges	110,000	102,673	7,327	98,408
Postage	500	-	500	922
Training/Seminars	950	2,121	(1,171)	1,506
Insurance	2,500	1,324	1,176	725
Professional Services	1,000	125	875	203
Printing/Advertising	750	-	750	166
Operating Supplies	6,000	-	6,000	13,917
Repairs & Maintenance	7,000	12,203	(5,203)	3,688
Fuel & Oil	20,000	17,713	2,287	13,166
Office Supplies	100	-	100	14
Apparatus/Tools	100	-	100	-
Uniforms	1,800	1,714	86	1,495
Capital Expense	165,620	141,417	24,203	18,804
Total Sanitation	457,500	419,902	37,598	289,176

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Sanitation Fund
Statement of Cash Receipts and Expenditures - Budget and Actual
For the Year Ended December 31, 2011
With Comparative Actual Totals for the Prior Year Ended December 31, 2010

Statement 3-27

	2011			2010
	Budget	Actual	Variance Under (Over)	Actual
Operating Transfers	<u>128,500</u>	<u>128,500</u>	<u>-</u>	<u>149,000</u>
Total Expenditures	<u>\$ 599,000</u>	<u>567,437</u>	<u>\$ 31,563</u>	<u>446,580</u>
Receipts Over (Under) Expenditures		(123,218)		(6,055)
Unencumbered Cash, Beginning		296,376		302,431
Prior Year Cancelled Encumbrances		<u>-</u>		<u>-</u>
Unencumbered Cash, Ending		<u>\$ 173,158</u>		<u>\$ 296,376</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RUSSELL, KANSAS
Agency Funds
Statement of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2011

Statement 4

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Drug Task Force Program	\$ 7,049	\$ 1,917	\$ 4,175	\$ 4,791
Municipal Court	7,433	92,425	96,237	3,621
Sink or Swim	<u>2,943</u>	<u>25</u>	<u>275</u>	<u>2,693</u>
Total	<u>\$ 17,425</u>	<u>\$ 94,367</u>	<u>\$ 100,687</u>	<u>\$ 11,105</u>

The notes to the financial statements are an integral part of this statement.

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Russell is the county seat of Russell County, Kansas, and was incorporated in 1871. The City operates under a Council-Manager form of government and provides the following services: public safety and administration of justice, water and electric utility, transportation and environmental services, community development and recreation activities.

A. Financial Reporting Entity

The City has oversight responsibility for other governmental entities (component units) since the other entities are considered to be controlled by, or dependent on, the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing boards.

The City's financial statements include only the accounts of the primary government and not its component units.

The following component unit has not been examined by certified public accountants.

Russell Library

The Russell Public Library board operates the public library. Acquisition or disposition of real property by the board must be approved by the City Council. Bond issuances must also be approved by the City Council.

The following component units will be audited by other certified public accountants.

Russell Recreation Commission

The Russell Recreation Commission oversees recreational activities. The recreation commission can sue and be sued, but the City Council must approve acquisition of real property by the commission. The Recreation Commission operates as a separate governing body but the City levies taxes for the recreation commission and the Recreation Commission has only the powers granted by statute, K.S.A 12-1928. The City must approve Bond issuances.

Russell Housing Authority

The Russell Housing Authority Board operates a subsidized public housing project. The Board is an appointed five-member board. The City does not provide significant operating subsidies to the board.

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

B. Fund Accounting

The accounts of the City are organized on a basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted separately. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds account for revenue derived from specific sources (other than special assessments, expendable trusts, or major capital projects), which are legally restricted to expenditures for specific purposes.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for payment of principal, interest and related costs on all general obligation debt including special assessments, which are general obligations of the City.

Capital Projects Funds

The Capital Projects Funds account for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

Proprietary Funds:

Proprietary Funds are used to account for activities which are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses and transfers relating to the government's business activities are accounted for through proprietary funds.

1. Enterprise Fund

The Enterprise Fund accounts for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds:

Trust and agency funds are used to account for assets held by the City as a trustee or as an agent for individuals, private organizations and other governmental, and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency funds.

Nonexpendable Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Accounting

Statutory Basis of Accounting. The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

The municipality has approved a resolution that is in compliance with KSA 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America. The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

D. Reimbursements

The City of Russell records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

E. Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in Statement 1.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has an investment policy that would further limit its investment choices which excludes investments in repurchase agreements.

Concentration of credit risk. Although state statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405, the City's investment policy does provide for an investment limitation of 55% per financial institution. The City's policy states that the Kansas Municipal Investment Pool (KMIP) is not to be considered as a financial institution and the 55% limitation does not apply to KMIP.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. In 2011, the City did not enter into any peak depository agreement. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$6,575,305 and the bank balance was \$6,637,868. The bank balance was held by four banks which did not result in a concentration of credit risk. Of the bank balance, \$1,570,207 was covered by federal depository insurance and \$5,067,661 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

At December 31, 2011, the City had invested \$10,303,581 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. Government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

F. Compensated Absences

Prior to January 1, 1988, the City's policy regarding vacation permitted employees to accumulate and carry over to the following year a maximum of 60 working days of vacation.

Effective January 1, 1988, the City froze all vacation carry over up to 60 days and established a new policy whereby the employees, on December 31st of each year, may carry over 80 hours of vacation.

Upon resignation or retirement, employees are entitled to payment of accumulated current vacation leave, plus all frozen vacation leave.

The City's prior policy regarding sick pay allowed employees to accumulate unlimited sick leave days. Effective January 1, 1988, the City froze all accumulated sick leave over 100 days. Any days accumulated up to 100 days were carried over with the City's new policy. Under the post 1988 policy, employees may accumulate up to 960 hours of sick leave, including frozen sick leave.

Retiring employees are compensated at a rate of 75 percent of current hourly rates for both frozen and post 1988 accruals. Post 1988 sick leave hours are limited to 160 hours and are only paid for amounts in excess of 80 hours. Sick leave is compensated at a rate of 100 percent of current hourly rate for deceased employees and 25 percent for terminated employees, using the same calculations described above to calculate eligible hours. The accumulated vacation, sick leave and comp time liability at December 31, 2011 is \$122,982, \$83,327 and \$1,234, respectively.

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1.- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -CONTINUED

G. Comparative Data

The amounts shown for 2010 in the accompanying financial statements are included only to provide a basis for comparison with 2011 and are not intended to present all information necessary for a fair presentation. Certain amounts for 2010 may have been restated to conform with the presentation of similar amounts for 2011.

H. Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specific funds for the payment of debt service and fiscal fees on long-term debt, and for expenditures awarded by federal and state grant contracts. Also, cash is restricted in the trust funds of the City for specific purposes.

The City of Russell, Kansas, as part of the WAPA contract with KMEA is required to have on deposit \$64,428 in the KMEA LAO Power Project trust account. Any investment income on the deposit will be credited annually to the deposit account.

NOTE 2. - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 2. - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds and certain special revenue funds, Equipment Reserve, Capital Improvements and Deines Center Grant.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 3. – PROPERTY TAXES

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County appraiser annually determines assessed valuations based on real estate transactions recorded by the Register of Deeds and personal property transactions reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 3. – PROPERTY TAXES - CONTINUED

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property taxes are assessed on a calendar year basis and become a lien on property on November 1 of each year. The taxes are due one-half on December 20th and one-half the following May 10th. Any taxes unpaid at the due dates are considered delinquent.

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current operation of the City and therefore are not susceptible to accrual.

Undistributed taxes from the prior year levy are recognized as income in the current year. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

NOTE 4. - DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Russell, Kansas, participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and 6% of covered

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4. - DEFINED BENEFIT PENSION PLAN – CONTINUED

salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for January through March and July through December of 2011 was 7.74%. The rate for the months of April through June of 2011 was 6.74%. The City's employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$212,099, \$186,393, and \$146,305 respectively equal to the required contributions for each year.

NOTE 5. – OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

NOTE 6. - INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Industrial Development	12-197	\$ 32,654
General	Capital Improvement	12-1,118	116,620
General	Equipment Reserve	12-1,117	83,967
Electric	General	12-825d	300,000
Electric	Personnel Benefits	12-825d	395,000
Water	Personnel Benefits	12-825d	100,000
Water	Bond and Interest	12-825d	100,403

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 6. - INTERFUND TRANSFERS - CONTINUED

Wastewater	Personnel Benefits	12-825d	20,000
Sanitation	General	12-825d	31,500
Sanitation	Personnel Benefits	12-825d	97,000
Electric	Electric Depreciation	12-825d	250,000
Airport	Airport Improvement Fund	12-1,118	1,375
Equipment Reserve	Airport Improvement Fund	12-1,118	15,249
Capital Improvement	Airport Improvement Fund	12-1,118	61,530

NOTE 7. - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. The City's electrical distribution system is not insured.

NOTE 8. - CONTINGENCIES

A. Federal and State Grants

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

B. Litigation

Various claims and lawsuits may be pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially effect the City's financial position.

NOTE 9. - JOINT VENTURE

In June of 1995, the cities of Hays and Russell entered into an agreement to share in the purchase and management of the Circle K Ranch and attendant water rights. The City of

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 9. - JOINT VENTURE - CONTINUED

Russell paid \$619,440, allocated \$159,444 land, water rights \$323,410 and \$136,586 buildings, equipment and improvements. Subsequent to that agreement, the Public Wholesale Water Supply District No. 15 was created with the City of Russell providing for a sharing of expenses and income on an eighty-two percent (82%)/eighteen percent (18%) ratio. The Public Wholesale Water Supply District No. 15 was formed for the development of water supply sources and projects related directly thereto.

This joint venture should be accounted for by the equity method in the Water Fund if the District were included in the primary government financial statements.

In 2011, the City of Russell paid \$9,462 for their share of the 2010 net loss. The City received \$2,497 in February 2012 for their share of the 2011 net income.

NOTE 10. - RELATED PARTY TRANSACTIONS

In a governmental entity, related parties include members of the governing body, board members, administrative officials, and immediate families of administrative officials, board members, and members of the governing body. Required disclosures on related party transactions do not include compensation arrangements, expense allowances and similar items incurred in the ordinary course of operations. The following are not required to be reported, but are presented for information only.

	<u>2011</u>
Don Dawson Pharmacy Carol Dawson, Mayor is the spouse of the owner of the company.	\$ 65
Don's Plumbing Carol Boxberger, Council member is the spouse of the owner of the company.	115
OPI Jon Quinday, Police Chief is the spouse of an employee of company.	34,193

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 10. - RELATED PARTY TRANSACTIONS - CONTINUED

Masters Propane Carol Boxberger, Council Member is the spouse of an employee of the company.	8,376
Thompson Arthur & Davidson Paul Phillips, Council Member is the spouse of an employee of the company.	227

NOTE 11. – GRANTS

Demolition Project

In April 2009, the City was awarded a grant from the CDBG for the demolition of houses. The City was awarded \$59,500. The City must provide \$50,000 of their own funds for the project. The total project cost is \$109,500. The demolition project started in June of 2010. The City transferred \$50,000 in 2010 from the Johnson Trust fund to the Grant fund. The CDBG grant proceeds for 2010 were \$30,093 and for 2011 were \$29,407. The City expended \$109,400 on the project. The project was completed in 2011.

Airport - Snow Removal Equipment Building

In September 2010, the City was awarded a grant from the Federal Aviation Administration to construct a snow removal equipment building. The total project cost was \$190,831. The FAA funded ninety-five percent of the cost or \$181,289. The City was responsible for the rest of the project which totaled \$9,542. The project was completed in 2011.

Airport – Snow Removal Equipment

In 2011 the City of Russell was awarded a grant from the Federal Aviation Administration to purchase snow removal equipment. The total project cost was \$123,105. The FAA funded \$116,949 and the City spent \$6,156 of its own money. The equipment was purchased in 2011.

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 12. - INDUSTRIAL REVENUE BONDS

K.S.A. 12-1740 authorizes the City to issue Industrial Revenue Bonds to acquire, remodel, improve and equip certain facilities for commercial and industrial purposes and to enter into leases and lease-purchase agreements with any firm or corporation for such facilities.

In December 2005, the Council approved Ordinance No. 1761 authorizing the City to issue IRB's Series 2005 (Main Street Media, Inc.) in the aggregate principal amount of \$1,370,000. The City accepted ownership of the property and will lease it back to Main Street Media.

In October 2006, the council authorized the City to issue a new series of \$1,300,000 in IRB's for Main Street Media, Inc. to refund the original 2005 taxable bonds.

The City, as issuer, has no obligation for the debt beyond the resources received from the third party. The principal balance of the bonds at December 31, 2011 was \$994,729.

In January 2008, the council approved resolution 01-08, an ordinance (No. 1790) authorizing the City of Russell, Kansas, to issue taxable industrial revenue bonds, Series 2008, for Land O'Lakes Purina Feed, L.L.C. Project, in a principal amount not to exceed \$20,000,000. The City will accept ownership of the property and will lease it back to Land O'Lakes Purina Feed, L.L.C. The City, as issuer, has no obligation for the debt beyond the resources received from the third party. The principal balance of the Bonds at December 31, 2011 was \$4,912,773.

NOTE 13. – USES OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 14.- SUBSEQUENT EVENTS

On December 9, 2011 the EPA awarded the City \$388,000 for the replacement of approximately 10,000 linear feet of cast iron pipe with PVC pipe. On February 24, 2012 the City council authorized the signing of a Kansas Public Water Supply Loan from the Department of Health and Environment to help with the project. The loan has been approved not to exceed \$601,504. The total project cost will be approximately \$989,504.

City of Russell, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 14.- SUBSEQUENT EVENTS - CONTINUED

On May 1, 2012 the City Council approved to grant \$400,000 of general fund money to a new business coming into town. The Council members also approved a 100% tax abatement.

Management has evaluated the effects of the financial statements of subsequent events occurring through July 2, 2012 which is the date at which the financial statements were available to be issued.

NOTE 15.- BOND ISSUE

On December 15, 2011 the City of Russell issued Series 2011 General Obligation bonds of \$5,165,000. The proceeds of the bonds went directly to pay off the loan with the Kansas Department of Health and Environment #2362, which had provided funds for improvements to the City's public water supply system. Earnest money from the purchaser of the bonds was received by the City. Bond issuance costs were paid directly by the City.

NOTE 16.- DEBT REDUCTION

In December 2011 the City of Russell paid off the loan with the Kansas Department of Health and Environment, #2635. In December 2011, the City gave a 60 day notice to pay off loan agreements with Kansas Department of Health and Environment #2151 and #C20-1355-01. The City encumbered \$699,996 plus \$9,774 interest in the wastewater fund to payoff #C20-1355-01 and also encumbered \$831,263 plus \$15,886 in interest in the water fund to payoff loan agreement #2151, but the payments will be paid in full in 2012.

City of Russell, Kansas
Notes to the Financial Statements
December 31, 2011

Note 17 - Long Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2011 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds:										
Series 2003 (Refunding & Improve)	1.25% - 4.05%	9/1/2003	1,625,000	3/1/2014	\$ 430,000	\$ -	\$ 180,000	\$ (180,000)	\$ 250,000	\$ 13,086
Series 2011	2.0%-3.1%	1/15/2011	5,165,000	8/1/2027	-	5,165,000	-	5,165,000	5,165,000	-
Revolving Loans:										
Wastewater - CO-1355-01	3.54%	8/9/1995	3,000,000	9/1/2016	841,102	-	141,106	(141,106)	699,996	* 28,537
Water - 2151	4.00%	7/21/1999	1,675,000	8/1/2020	911,912	-	80,649	(80,649)	831,263	* 35,678
Kansas Public Water Supply Loan Fund - 2362	4.03%	3/15/2004	6,200,000	8/1/2026	5,268,582	-	5,268,582	(5,268,582)	-	263,430
Kansas Public Water Supply Loan Fund - 2635	3.47%	6/22/2009	403,707	8/1/2030	281,687	-	281,687	(281,687)	-	14,712
Total Contractual Indebtedness					7,733,283	5,165,000	5,952,024	(787,024)	6,946,259	\$ 355,443
Compensated Absences										
	N/A	N/A	N/A	N/A	213,911	-	6,368	(6,368)	207,543	
Total Long-Term Debt					\$ 7,947,194	\$ 5,165,000	\$ 5,958,392	\$ (793,392)	\$ 7,153,802	

* See Note 16

City of Russell, Kansas
Notes to the Financial Statements
December 31, 2011

Note 17 - Long Term Debt - Continued

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

Issue	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2030	Total
PRINCIPAL									
General Obligation Bonds:									
Series 2003 (Refunding & Improve)	\$ 80,000	\$ 85,000	\$ 85,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000
Series 2011	315,000	280,000	285,000	290,000	295,000	1,565,000	1,755,000	380,000	5,165,000
Revolving Loans:									
Wastewater	699,996	-	-	-	-	-	-	-	699,996
Water	831,263	-	-	-	-	-	-	-	831,263
TOTAL PRINCIPAL	\$ 1,926,259	\$ 365,000	\$ 370,000	\$ 290,000	\$ 295,000	\$ 1,565,000	\$ 1,755,000	\$ 380,000	\$ 6,946,259
INTEREST									
General Obligation Bonds:									
Series 2003 (Refunding & Improve)	\$ 8,278	\$ 5,100	\$ 1,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,099
Series 2011	75,397	113,801	108,201	102,501	96,701	392,546	207,502	11,780	1,108,429
Revolving Loans:									
Wastewater	9,774	-	-	-	-	-	-	-	9,774
Water	15,886	-	-	-	-	-	-	-	15,886
TOTAL INTEREST	109,335	118,901	109,922	102,501	96,701	392,546	207,502	11,780	1,149,188
TOTAL PRINCIPAL AND INTEREST	\$ 2,035,594	\$ 483,901	\$ 479,922	\$ 392,501	\$ 391,701	\$ 1,957,546	\$ 1,962,502	\$ 391,780	\$ 8,095,447

*See Note 16